

Message Text

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12

ACTION AF-07

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-01

INR-05 L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02

SS-15 USIA-06 AID-05 COME-00 EB-07 FRB-01 TRSE-00

XMB-02 OPIC-03 CIEP-01 LAB-01 SIL-01 OMB-01 IO-10

SAM-01 AGR-05 /100 W

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R 220600Z NOV 74

FM AMCONSUL LUANDA

TO SECSTATE WASHDC 3082

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY LISBON

AMEMBASSY KINSHASA

AMEMBASSY DAR ES SALAAM

AMEMBASSY LUSAKA

AMEMBASSY PRETORIA

AMCONSUL JOHANNESBURG

AMCONSUL CAPETOWN

AMCONSUL LOURENCO MARQUES

INCLANT NORFOLK VA FOR POLAD

CINCEUR VAIHINGEN GER FOR POLAD

C O N F I D E N T I A L LUANDA 1013

E.O. 11652: GDS

TAGS: EGEN AO

SUBJECT: ANGOLAN ECONOMIC DECLINE QUICKENS

REF: LUANDA 0752

1. ECONOMIC ACTIVITY HERE, PARTICULARLY INVESTMENT, HAS DROPPED OFF SHARPLY IN RECENT WEEKS. VIRTUALLY THE ONLY NEW INVESTMENT BEING PLANNED IS A LAMEDUCK PORTUGUESE GOVERNMENT LACKING THE LEGAL STATUS NEEDED TO OBTAIN THE NECESSARY CREDIT GUARANTEES.

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ONGOING CONSTRUCTION AND OTHER PARTIALLY COMPLETED INVESTMENTS

ARE INCREASINGLY BEING ABANDONED. THE ILLIQUIDITY SITUATION HAS NOT IMPROVED SINCE OUR LAST REPORT AT THE END OF AUGUST AND THE INFLATION RATE HAS TAKEN AN UGLY UPTURN, WITH PRICES OF SOME STAPLES (BREAD, SUGAR) DOUBLING OVERNIGHT.

2. NO ECONOMY-WIDE STATISTICS COVERING THE PERIOD SINCE THE COUP IN PORTUGAL ARE AVAILABLE EXCEPT A BANK OF ANGOLA PROJECTION OF 1974 INFLATION AT 7.2 PERCENT, PERHAPS A FOURTH OF THE REAL FIGURE. CEMENT PRODUCTION IS DOWN TO 9,000 T/MONTH FROM A PRE-COUP LEVEL OF 40,000 T/MONTH. TIRE SALES ARE DOWN 50 PERCENT. THE PORT OF LUANDA IS LOADING COFFEE AT HALF THE PREVIOUS SPEED WITH THE SAME WORK FORCE. WAGES IN THE PORT HAVE ALMOST DOUBLED. DELAYS IN THE PORT OF LOBITO HAVE GONE FROM TWO WEEKS (PRE-COUP) TO SIX TO SEVEN WEEKS.

3. ALTHOUGH ILLIQUIDITY, PORT PROBLEMS, STRIKES AND LACK OF FOREIGN CREDITS ARE SIGNIFICANT FACTORS IN THE RAPIDLY WORSENING ECONOMIC PICTURE, THEY ARE MERELY THE RESULT OF TWO EVEN MORE BASIC FACTORS: AN ALMOST TOTAL LOSS OF WHITE CONFIDENCE; AND SHARPLY DECLINING LABOR PRODUCTIVITY. THE WHITE EXODUS HAS LOST ITS PREVIOUS STOP-START, PANIC-RELAX CHARACTER AND NOW IS BEST DESCRIBED AS AN ORDERLY RETREAT. THE BLACK-MARKET PRICE OF HARD CURRENCIES IS NOW MORE THAN DOUBLE THE LEGAL RATE. PRICES OF NON-MOVABLE GOODS HAVE PLUMMETED AND THE PORT IS CORWED WITH OUTGOING PERSONAL EFFECTS. THE SOUTH AFRICAN CONSULATE IS QUIETLY BUT ACTIVELY RECRUITING TECHNICALLY TRAINED WHITES AND HAS GONE SO FAR AS TO INVESTIGATE DIVORCE STATUTES IN OTHER COUNTRIES TO FACILITATE REGULARIZING THE MARITAL STATUS OF 250 MANAGERIAL AND TECHNICAL PEOPLE SOUTH AFRICA WANTS AS IMMIGRANTS.

4. EVEN MORE OMINOUS THAN THE LOSS OF CONFIDENCE BY WHITES IS THE CURRENT LABOR SCENE. STRIKES ARE STILL A MAJOR PROBLEM, BUT EVEN MORE DAMAGING IS THE GENERAL SLOWDOWN THAT HAS TAKEN HOLD AMONG BLACK LABORERS AND WHITE BUREAUCRATS. AMONG THE BLACKS IT SEEMS TO BE A WAY OF GETTING BACK AT WHITE EMPLOYERS AND FOREMEN FOR PAST WRONGS. ALTHOUGH THE LIBERATION GROUPS HAVE CRITICIZED WILD-CAT STRIKES WITH LIMITED SUCCESS, THEY HAVE NOT ADVOCATED AN END TO THE GENERALIZED SLOWDOWN.

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